

**FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON DC 20426**

**Office of the Chairman**

January 3, 2002

Re: Docket Nos. RT01-67-000, RT01-67-001, RT01-67-002, RT01-74-003,  
RT01-74-004, RT01-74-005, RT01-75-000, RT01-75-001, RT01-77-002,  
and RT01-100-000

Dear Commissioner [**or Chairman or Vice Chairman**] -----:

At public conferences held at the Commission in October 2001, state public utility commissioners expressed their views regarding regional transmission organizations (RTOs) in the Southeast. As you may know, the Commission is now conducting a cost-benefit analysis on having one or more RTOs in the Southeast. As a follow-up to the conferences, we also would like the benefit of your views on the questions below. We would appreciate your input on these questions by February 22, 2002. Prior to that time, the Commission intends to hold a telephone conference with interested state public utility commissioners from the Southeast. Please send your responses by overnight delivery to Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, or by fax to (202) 208-2268, or by electronic filing at [www.ferc.gov](http://www.ferc.gov). We will ensure that they are filed in the appropriate dockets.

1. What RTO structure – a single RTO, multiple RTOs with seams agreements, or other – would most efficiently administer the transmission system and facilitate wholesale electric power sales to meet the needs of the Southeast?
2. If you think more than one RTO is appropriate in the Southeast, (a) how should market interface and reliability issues at the seams be resolved and (b) what should be the scope of the RTO that would include the electric utilities in your state?
3. Order No. 2000 permits hybrid RTO organizations.
  - a) If the functions specified in Order No. 2000 are shared or coordinated between an ISO and an independent transmission company (ITC), how would you suggest that those functions be apportioned? For example,

which organization should perform planning and expansion, tariff administration, OASIS administration, market monitoring, security coordination, and interregional coordination? What role do you believe an ITC could or should play in the Southeast?

- b) If an ITC is appropriate for your region, is it necessary for an umbrella independent board to have ultimate responsibility for RTO functions?
- c) Does an ITC need to provide RTO functions to be a viable business, or can it own and invest in transmission with agreements on revenue requirements with the ISO or RTO umbrella organization?

4. Order No. 2000 recognizes that wholesale electricity markets are becoming increasingly regional in nature and that new trading patterns are putting additional stress on the interstate transmission system. However, many of the functions that RTOs will be called upon to perform clearly have both regional and local implications (e.g., planning and expansion decisions which ultimately require the siting approval of one or more states). Do you have suggestions regarding how states can work with one another, with the RTO, and with the FERC to ensure that needed transmission infrastructure is sited and built in a timely manner? With regard to other RTO functions, are additional processes needed to ensure that states have the ability to fulfill their regulatory responsibilities or to adequately protect retail electricity customers?

5. What process do you believe would be the most efficient for obtaining the input of state commissioners in the Southeast on the issue of RTO formation?

6. Please provide your ideas on ways in which state commissions can have input on RTO decisions.

7. What actions -- either procedural or substantive -- do you believe the Commission could take to encourage the participation of public power entities in RTO formation in the Southeast?

8. With regard to the two models proposed in the Commission's mediation hearings, the Collaborative Governance Model (CGM) and Independent System Administrator (ISA) model, which features of each model do you support or not support? In what way might your interests and objectives be preserved under each model?

9. Do you think the Collaborative Governance Model or "transco at the top" RTO structure could favor transmission solutions relative to generation or demand-side solutions to congestion on the grid, and could favor investment in transco-owned facilities relative to transmission operated but not owned?
10. Do you think that under the ISA model transmission owners' preservation of some control over RTO functions through the System Administrator selection and removal process would affect independence?
11. Do you have any other suggestions or advice as to how the FERC should proceed in its efforts to complete RTO formation in the Southeast?

As noted above, the Commission will initiate a conference call with Southeast Commissioners concerning the questions raised in this letter in the near future. This will be the first meeting of the State-Federal Panel that was created pursuant to our order issued November 9, 2001 in Docket No. RT02-2-000, et al. Details on how to participate in the conference call will be sent to you next week.

Thank you very much for your assistance. On behalf of my colleagues, we appreciate your consideration and input. Thank you, and we look forward to your responses.

Best regards,

Pat Wood, III  
Chairman